1Q25

Cincinnati Industrial Market Overview

NEWMARK

Market Observations

Economy

- The Greater Cincinnati area has seen Nonfarm Payroll Employment reach its highest level since October 2023 due to investments in infrastructure and real estate, alongside growth in logistics, healthcare, and manufacturing sectors, creating a supportive business environment.
- This quarter, all industrial-using employment sectors reported gains in employment, with notable growth in the natural resources, mining, and construction sectors (up 6.2%).
- Manufacturing employments continues to rise, driven by demand and technological advancements, while trade, transportation, and utilities sectors maintain stable employment, highlighting consumer spending resilience and the importance of these sectors in daily economic activities.

Major Transactions

- The two largest lease transactions this quarter were new leases by SEKO Logistics at 1155 Worldwide Blvd. in the Airport submarket for 308,000 SF and Darana Hybrid at 8415 Firebird Dr. in the Tri County submarket for 304,364 SF.
- Urbandi purchased 2800 Henkle Dr., a 131,150 SF facility, for $10.36 million, or $79/SF.
- Plymouth REIT purchased 9113 Le Saint Dr., a 260,000 SF property, for $23.3 million, or $90/SF, from TradeLane Properties.

Leasing Market Fundamentals

- The Cincinnati industrial market began the year with light construction deliveries and posted a positive net absorption of 1.6 million SF which lowered the vacancy rate to 5.7%, highlighting steady demand despite developer caution.
- Cincinnati's leasing activity saw its slowest start since 2019, driven by economic uncertainties like interest rate hikes and supply chain disruptions. Companies are reevaluating space needs, leading to more cautious leasing decisions.
- Class A warehouse leasing is at a historic low, making up only 13.41% of total activity, due to supply chain and cost issues. Positive absorption owes to mid-2024 leasing surge, yet economic uncertainties keep developers cautious.
- Steady quarterly increases in sublease availability have resulted in the highest availability level seen since 2021. Consistent demand has kept the sublease market from becoming too inflated, but tenants continue to add space in measured amounts.
- Construction activities remain low with a focus on build-to-suit projects.

Outlook

- The Cincinnati industrial market is expected to maintain steady demand throughout 2025, driven by continued economic recovery and expansion in key sectors like logistics, healthcare, and manufacturing. This demand will likely sustain positive net absorption rates and keep vacancy levels low.
- While construction activity started low, there is a potential for increased build-to-suit developments as businesses seek customized spaces to meet specific operational needs. Speculative building may remain limited due to economic uncertainty and high construction costs.
- Leasing activity is anticipated to gradually pick up as economic uncertainties stabilize, with rental rates continuing to exhibit minimal volatility. The stable rent environment will support both tenant and investor confidence, encouraging strategic long-term planning in the market.

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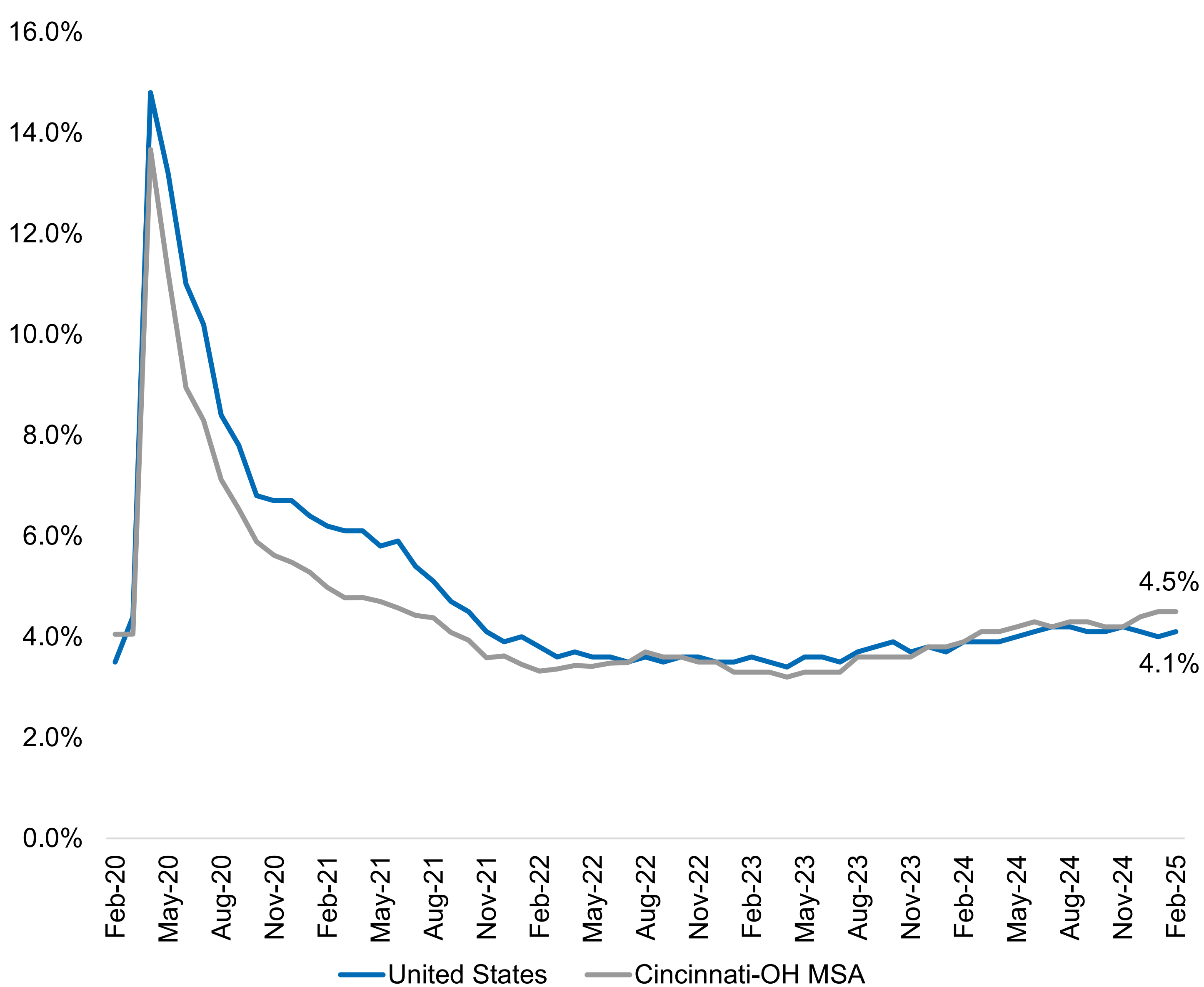
Economy

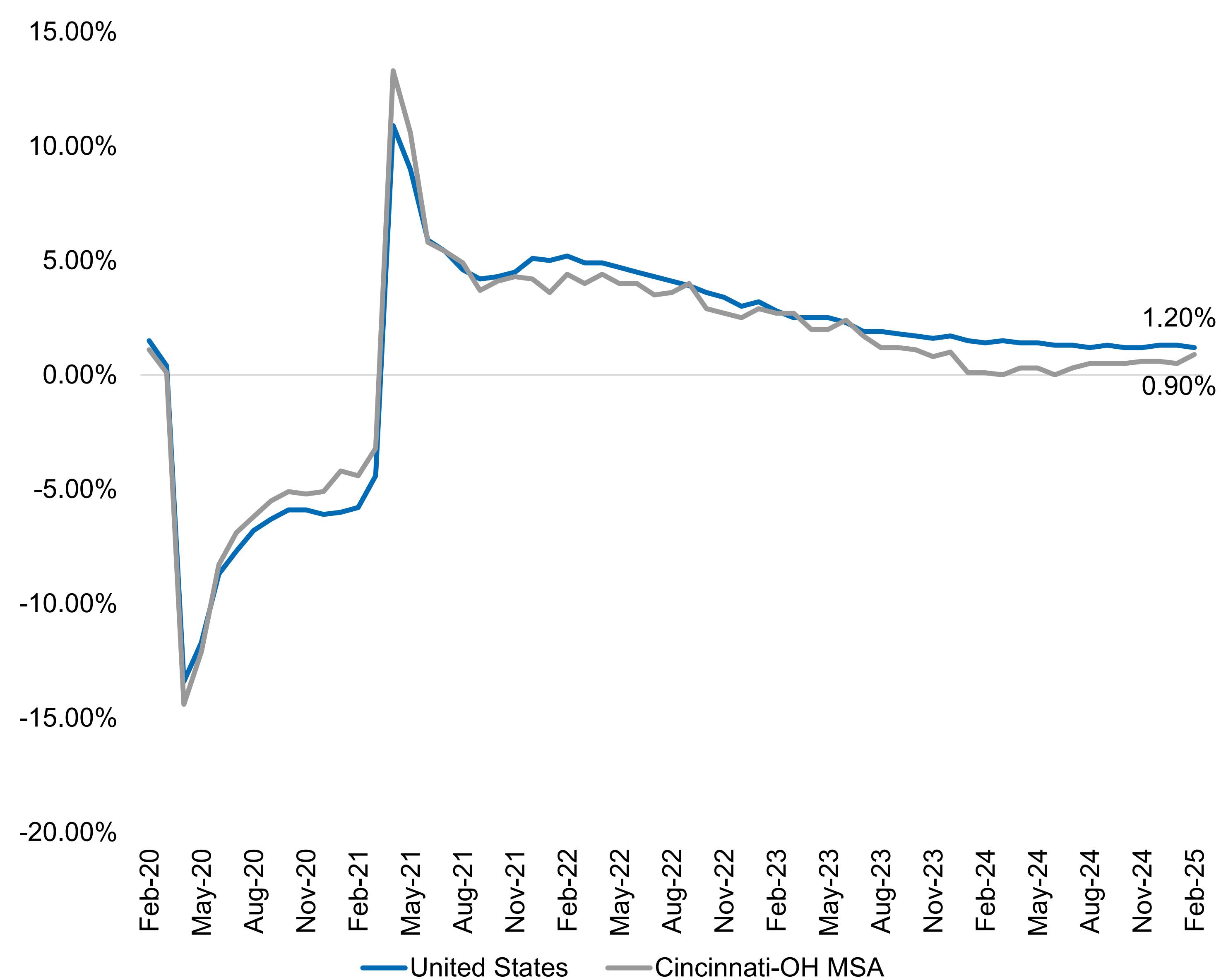
Cincinnati's Nonfarm Employment Sees Notable Growth

Nonfarm Payroll Employment in the Greater Cincinnati area has reached its highest level since October 2023, highlighting significant economic progress in the region. This increase can be credited to major investments in infrastructure and real estate projects, along with vigorous activity in crucial sectors like logistics, healthcare, and manufacturing. By creating a supportive business environment, Cincinnati has attracted new businesses and bolstered local startups, leading to robust job growth and economic resilience.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

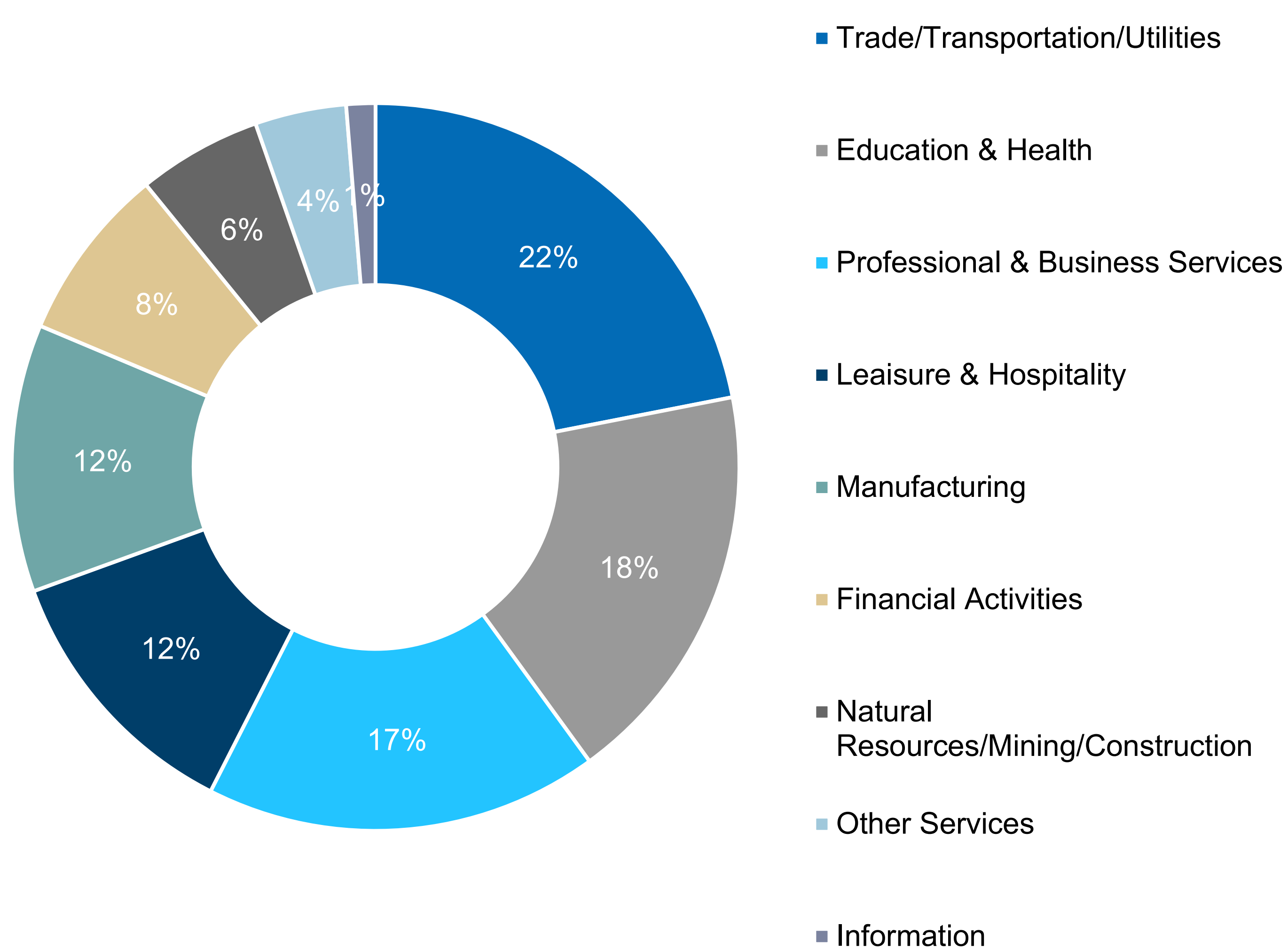


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

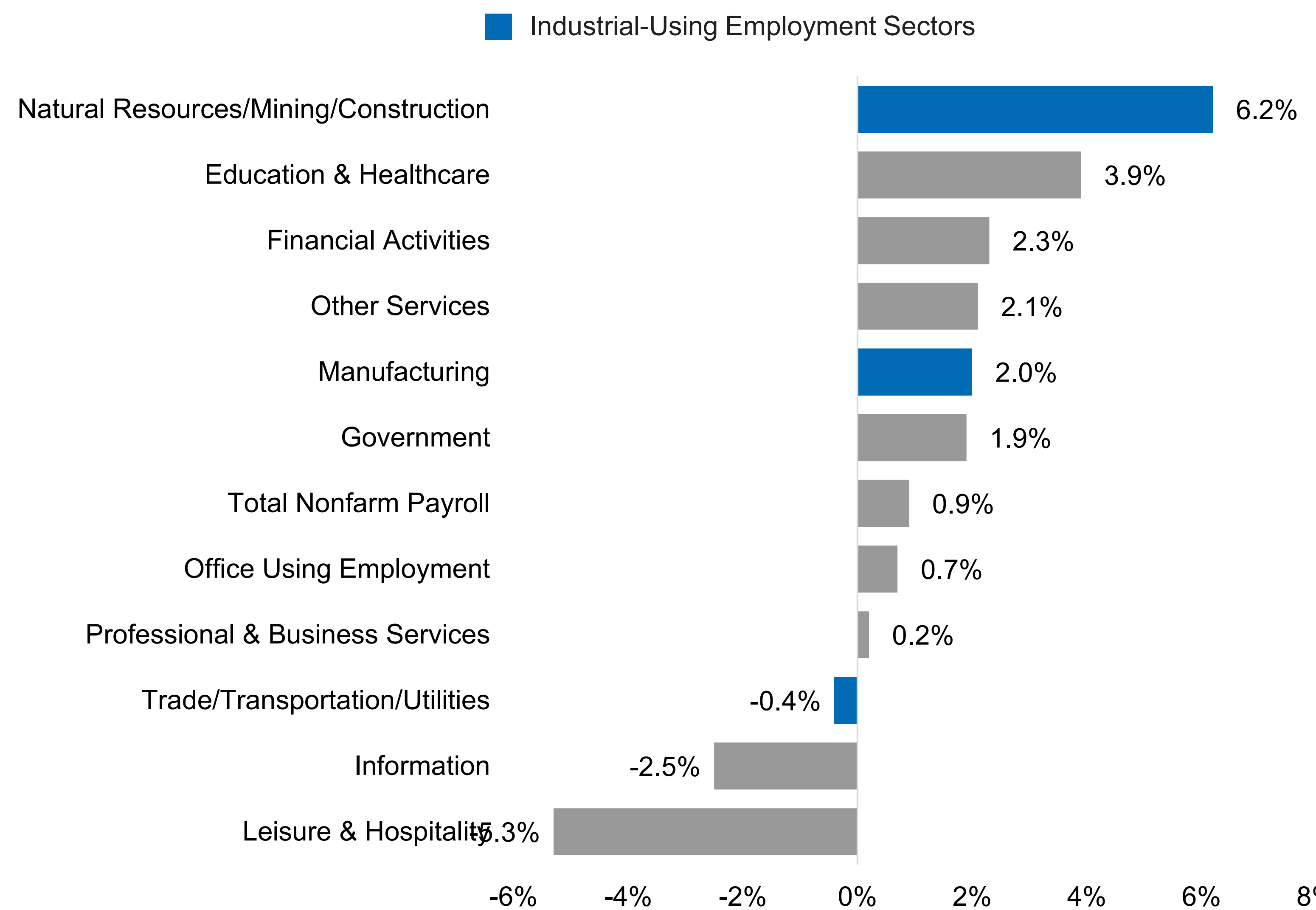
Manufacturing and Construction Employment Rises

Over the last year, the natural resources, mining, construction, and manufacturing sectors have demonstrated notable positive growth. The natural resources, mining, and construction sectors, in particular, have led this upward trend with a significant 6.2% increase in employment. This surge reflects a robust expansion, driven by increased demand and investment in these industries. Strong performance in these sectors underscores their critical role is sustaining economic vitality and fostering job creation, reinforcing their importance in the broader economic landscape.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

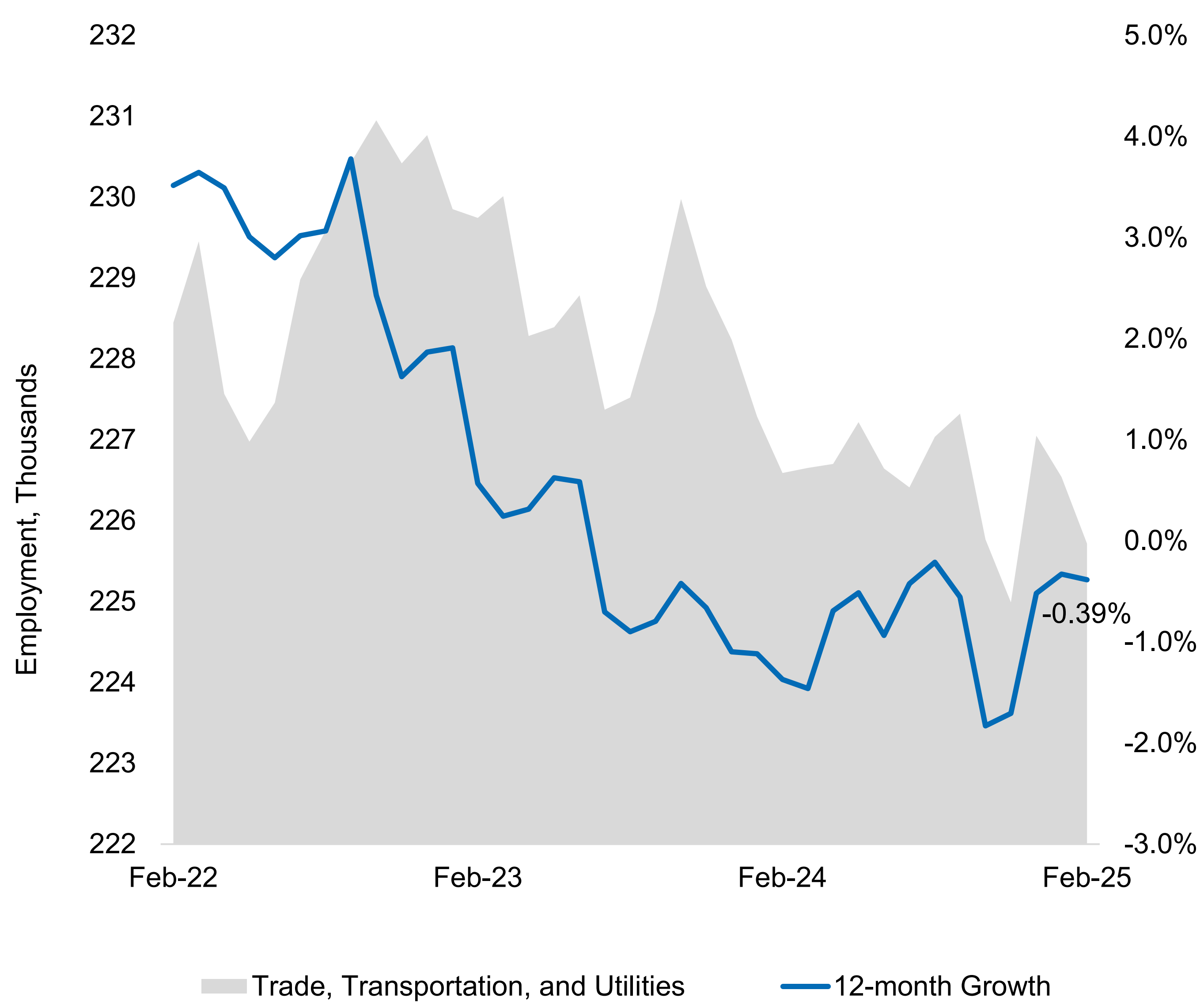


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

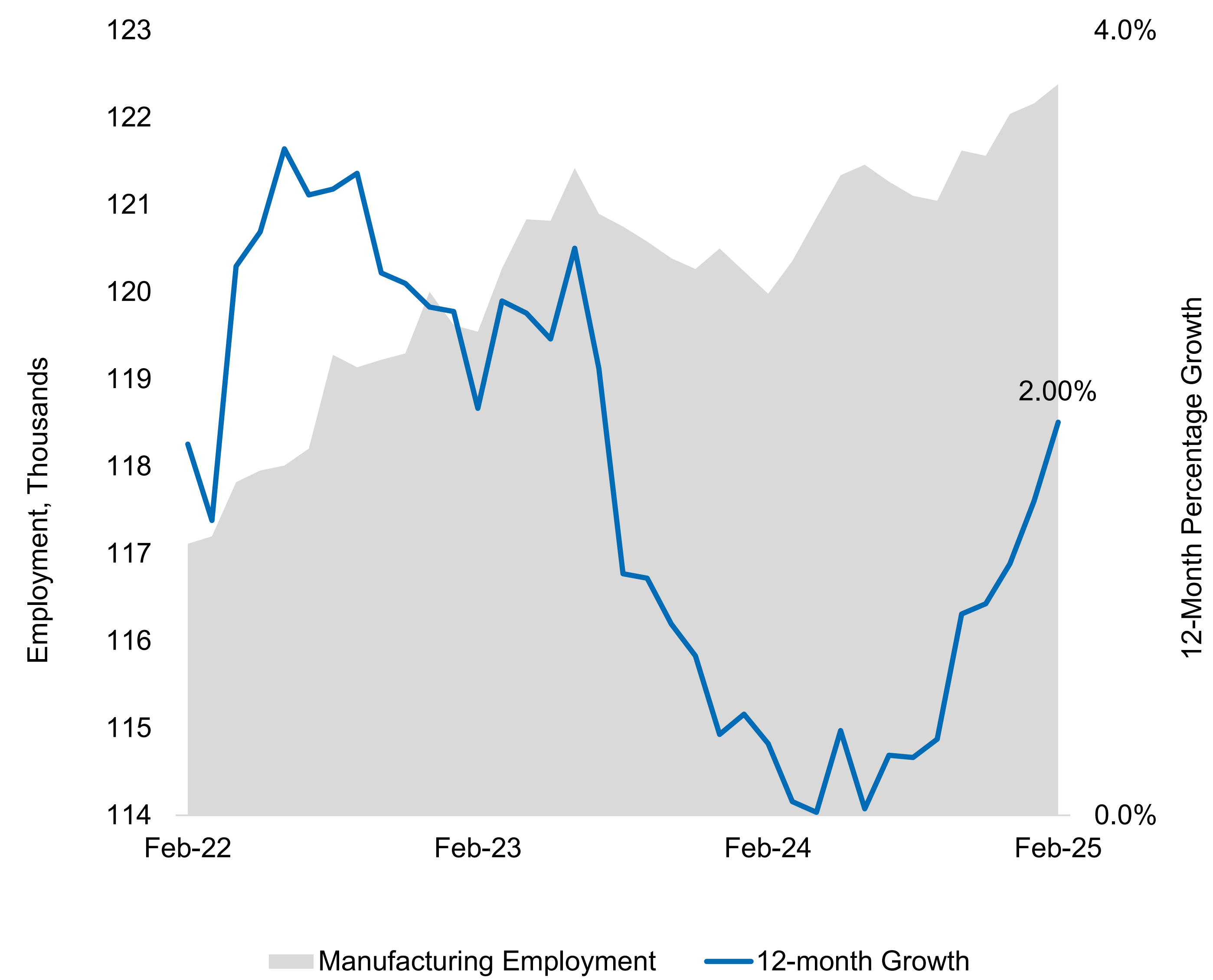
Trade and Transportation Employment Drops, Manufacturing Holds Steady

The manufacturing sector continues its upward trajectory in employment, driven by increasing demand for goods and technological advancements that enhance productivity and operational efficiency. This sector's sustained growth is a critical contributor to the broader economic recovery, signaling strong consumer demand and robust industrial activity. Meanwhile, the trade, transportation, and utilities sectors experienced a modest rise in employment towards the end of 2024. Since then, these sectors have maintained consistent employment levels, reflecting enduring consumer spending and the resilience of supply chain operations. This consistency underscores the essential role these sectors play in supporting daily economic activities and their adaptability to shifting market dynamics.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

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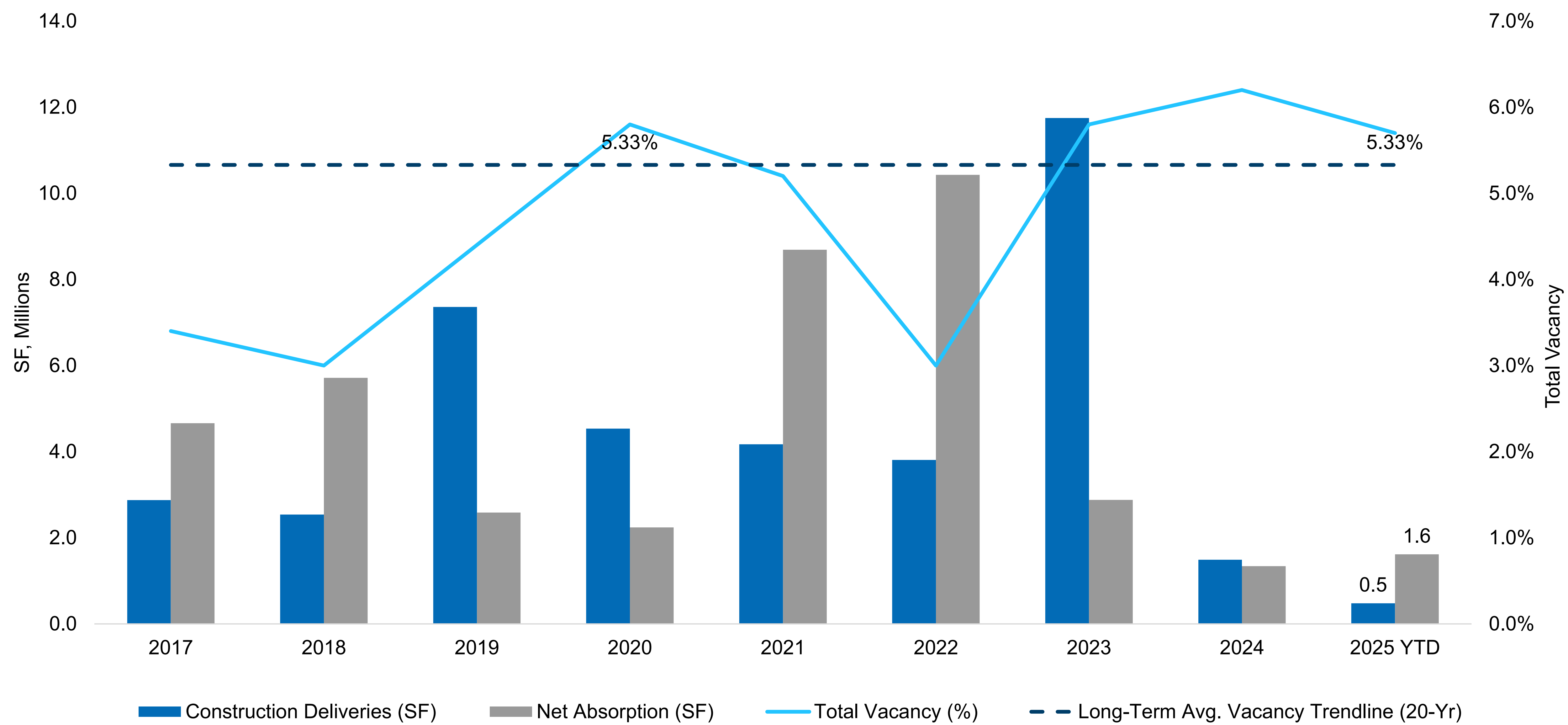
Leasing Market Fundamentals

Positive Absorption Trends in Cincinnati's Industrial Sector

The Cincinnati industrial market began the year with a notably low number of construction deliveries, indicating a slower pace of new industrial developments. This lull suggests that developers might be exercising caution in launching new projects or facing challenges that delay construction. Despite these fewer new builds, the market recorded positive net absorption of 1.6 million sf, thanks to strong leasing volume throughout 2024. While absorption has not reached the levels achieved in 2021 and 2022, the market's performance is underscored by a reduction in the vacancy rate, declining from 6.2% last year to 5.7%. Given the low volume of new construction starts and leasing activity, we anticipate little change in the vacancy rate for the remainder of the year.

Historical Construction Deliveries, Net Absorption, and Vacancy

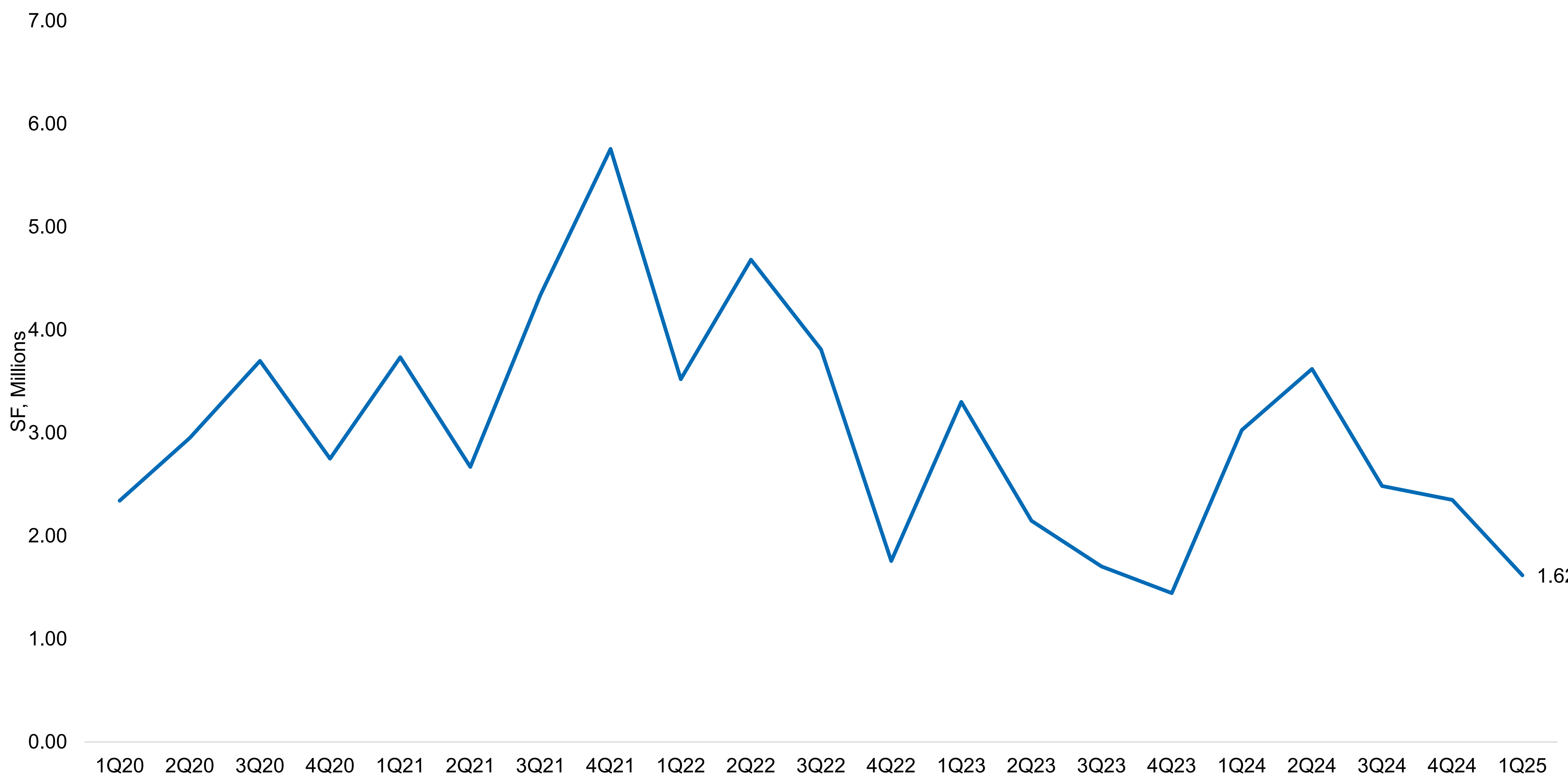


Source: Newmark Research

Economic Uncertainty Impacts Cincinnati Leasing Activity

Leasing activity in the Cincinnati industrial market has seen its slowest start to the year since 2019. Several factors contribute to this slowdown. Economic uncertainties, including potential interest rate hikes, ongoing tariffs, and supply chain disruptions, have made businesses more cautious about committing to new leases. At the same time, companies are reevaluating their space requirements due to shifts in work models and market demands. These challenges have resulted in more cautious leasing decisions, affecting the usually dynamic leasing activity in Cincinnati's industrial sector.

Total Leasing Activity (SF)

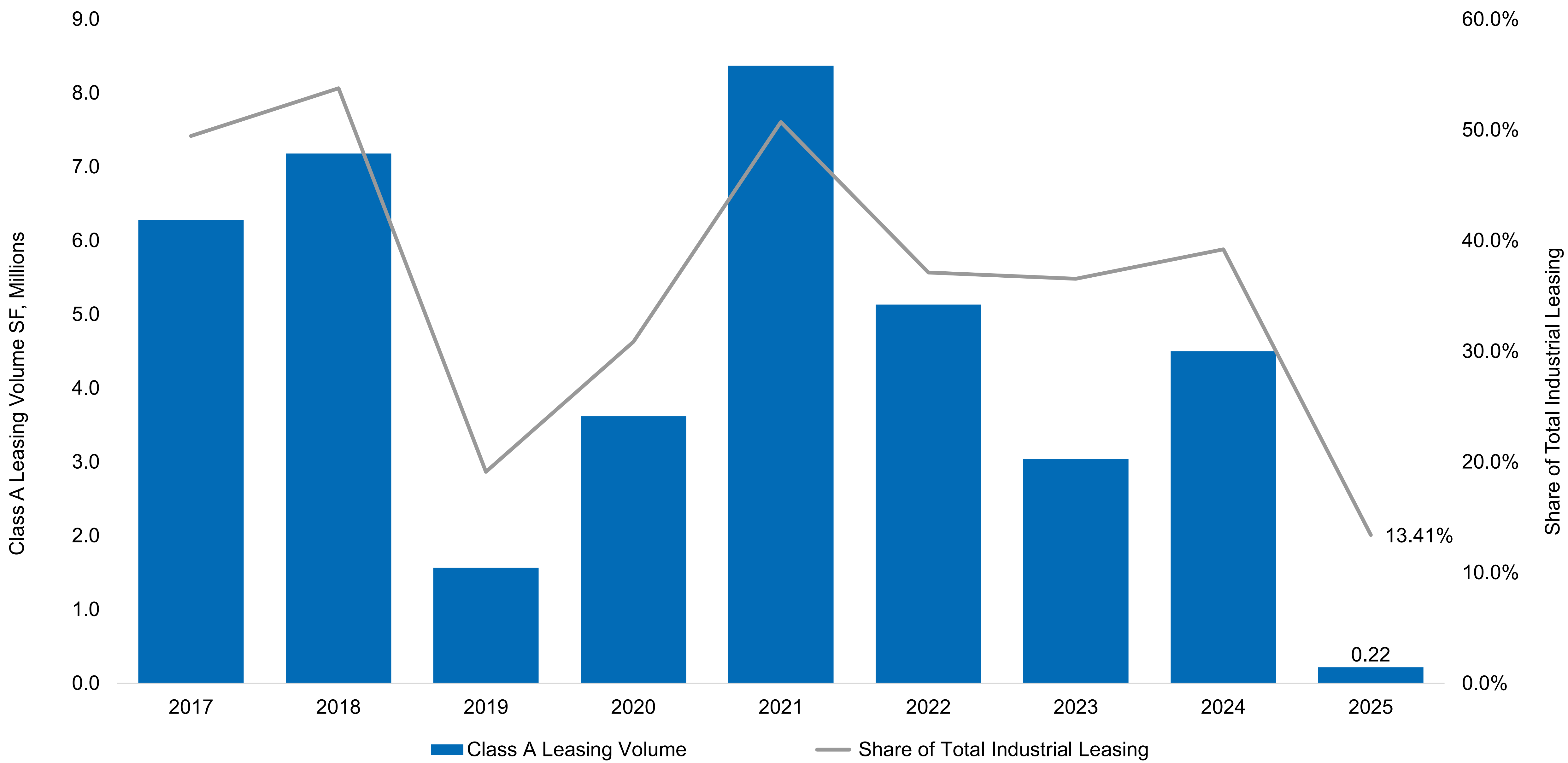


Source: Newmark Research, CoStar

Class A Warehouses Face Decline in Leasing Volume

Class A warehouse space experiences the slowest start in leasing activity since the first quarter of 2020, making up just 13.41% of total industrial leasing, a historic low. The decline in leasing activity for the quarter has been influenced by persistent supply chain disruptions and increased construction costs, which have hindered new developments. While there was positive absorption this quarter, it is primarily due to a surge in leasing activity in the second and third quarters of 2024. Developers and investors are proceeding cautiously in response to economic uncertainties and changing demand dynamics, impacting both new project initiations and investment strategies in the real estate market.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

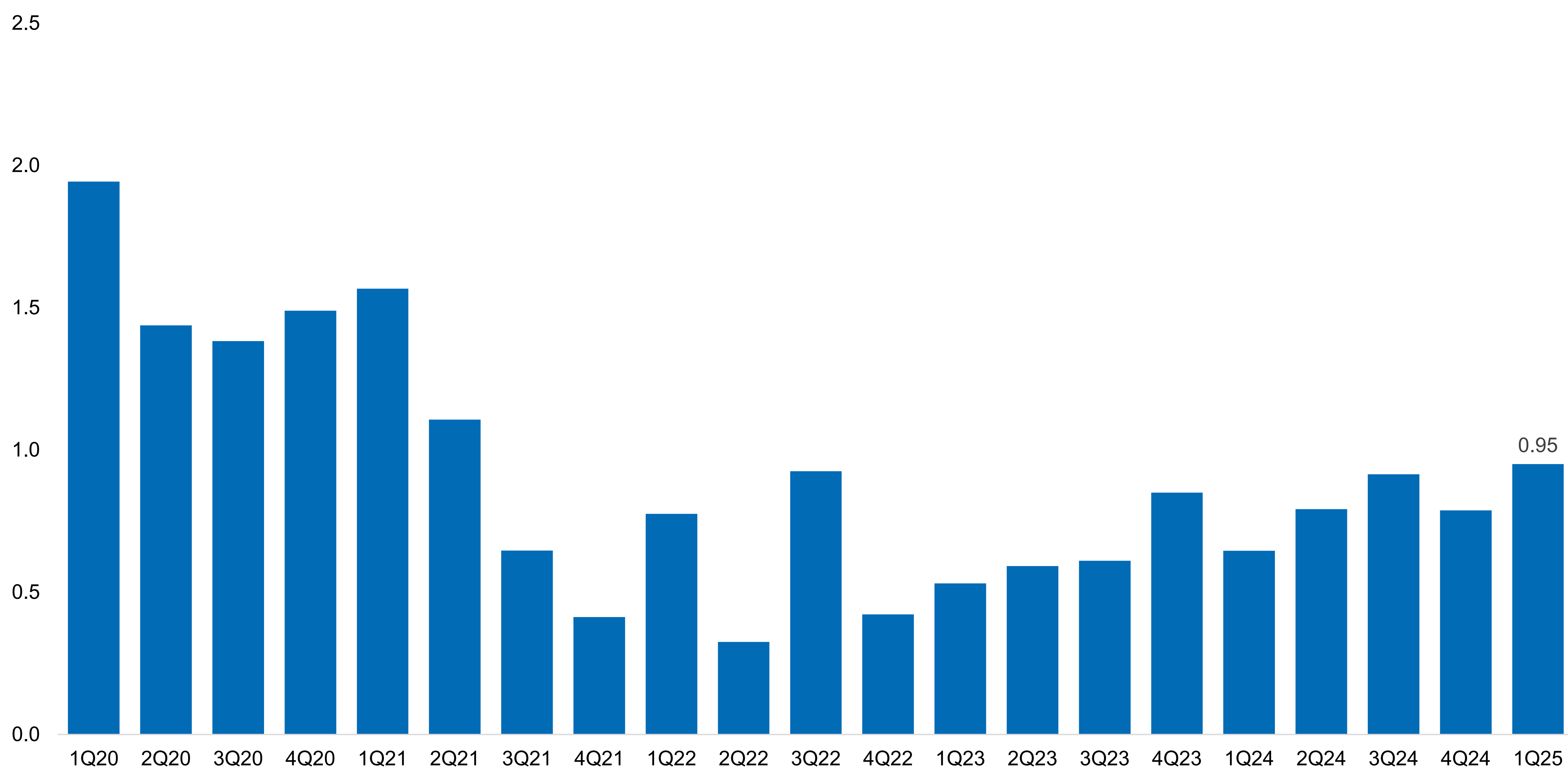


Source: Newmark Research, CoStar

Stable Trends in Cincinnati's Industrial Sublease Market

The Cincinnati industrial market is experiencing its highest level of available sublease space since the second quarter of 2021. Despite the peak, the market has not seen significant quarter-to-quarter increases in the amount of sublease space being added to the market. This indicates a relatively stable demand environment where the availability is elevated but not rapidly expanding. The steady pace suggests that while sublease opportunities are prevalent, they are not being further inflated by sudden shifts in tenancy behavior.

Available Industrial Sublease Volume (msf)

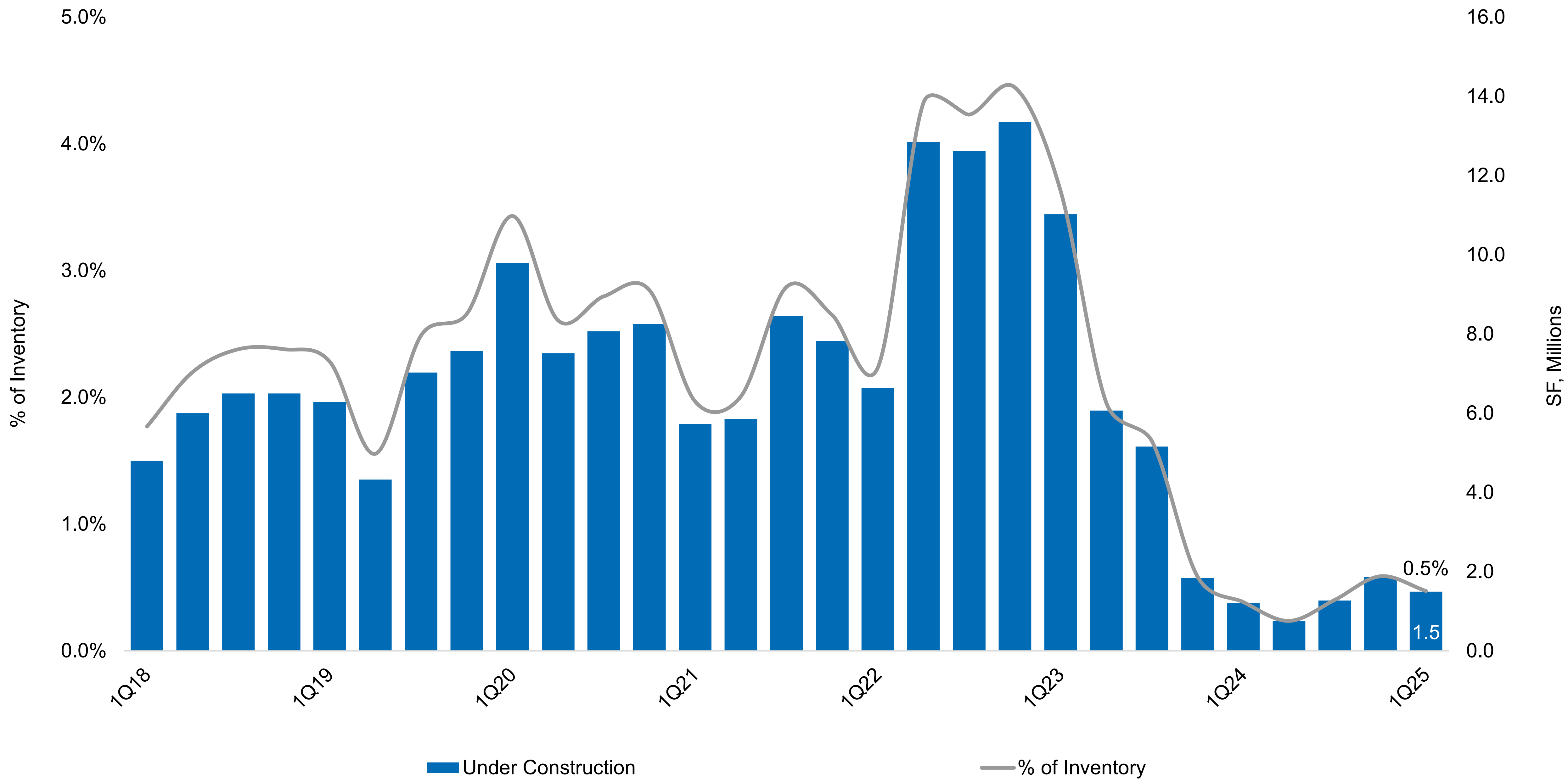


Source: Newmark Research

Tenant-Driven Projects Dominate Construction Activity

The construction activity in the Cincinnati industrial market remains low, with under construction properties constituting just 0.5% of the total inventory. Only a few speculative projects are currently in progress, while the majority of current developments are build-to-suit projects, tailored to specific tenant needs rather than broader market speculation. This trend indicates a conservative approach in the market, with developers opting to focus on custom projects rather than pursing speculative ventures. The limited speculative activity underscores a restrained sentiment and a preference for tenant-driven development.

Industrial Under Construction and % of Inventory

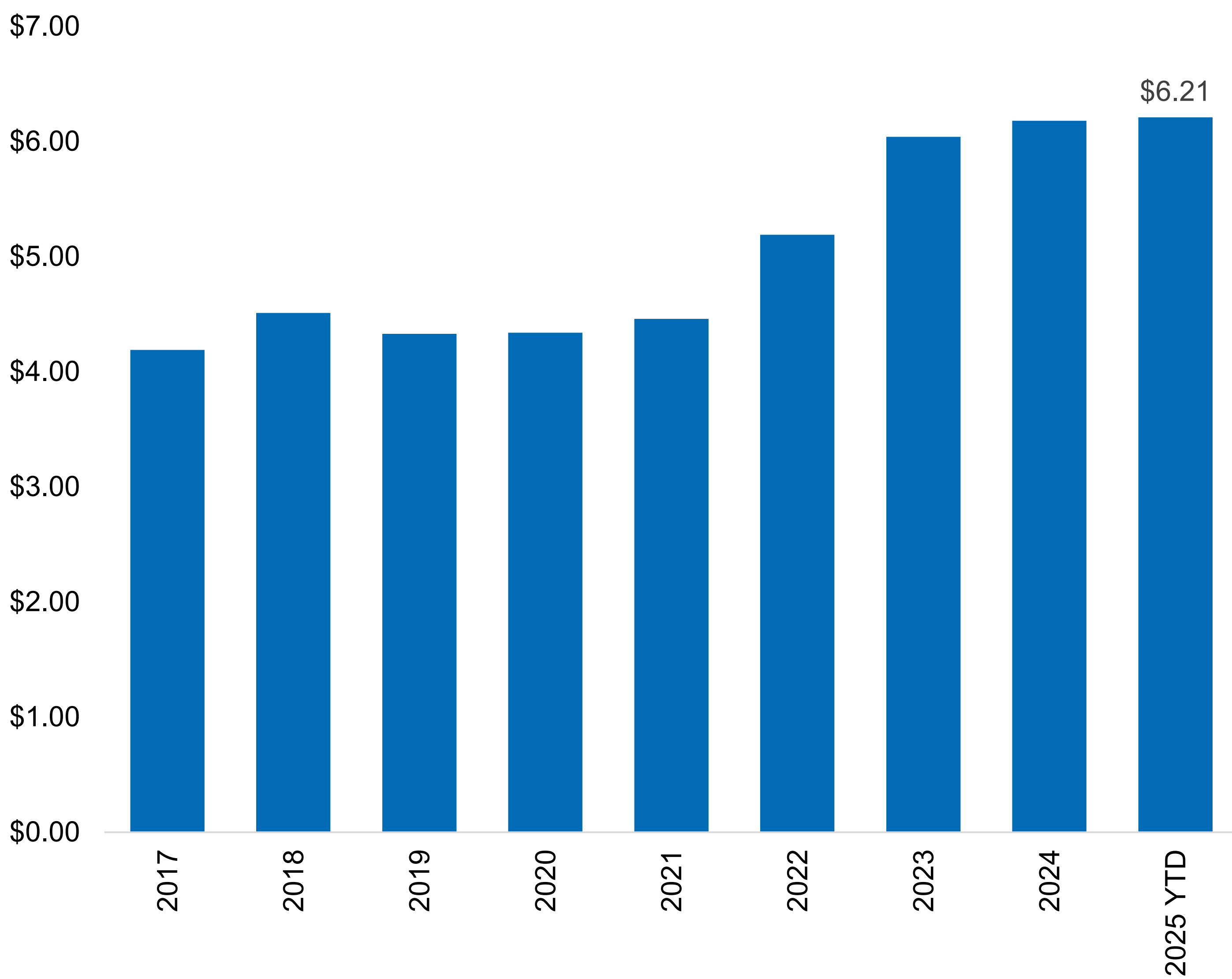


Source: Newmark Research, CoStar

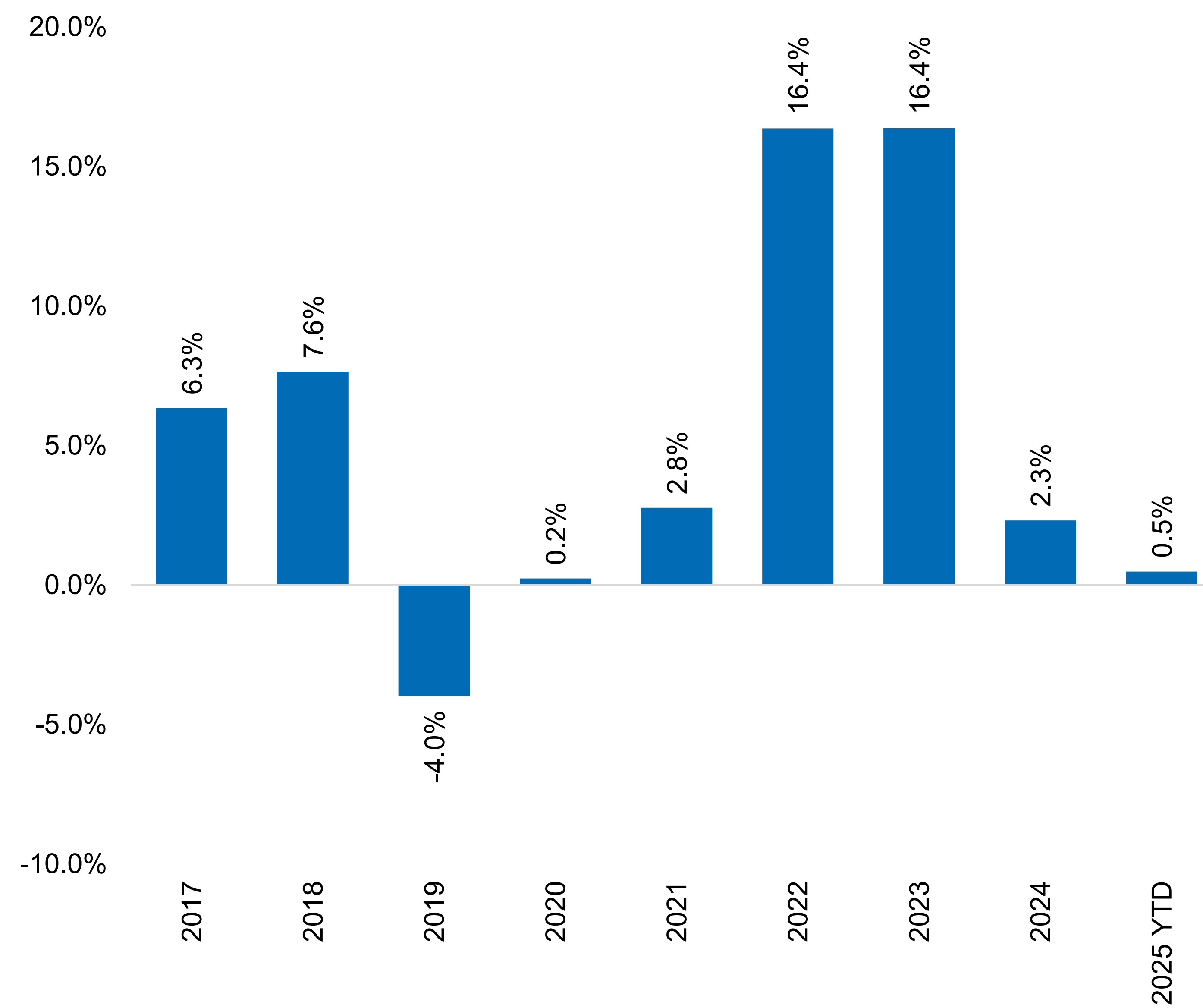
Industrial Lease Rates Hold Steady

The industrial average asking rate has remained relatively stable since 2023, with the year-over-year asking rent growth rate changing only by 0.5%. This modest change indicates a market balance where supply and demand are largely in sync, reducing the need for major rent adjustments. Such stability suggests that current rates adequately reflect the prevailing market conditions, allowing landlords and tenants to plan with greater confidence. Overall, the steady rental rates are a sign of consistency in the industrial sector.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q25 Lease Transactions

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Tenant	Building	Submarket	Type	Square Feet
SEKO Logistics	1155 Worldwide Blvd.	Airport	New Lease	308,000
Darana Hybrid	8415 Firebird Dr.	Tri County	New Lease	304,364
TREW Automation	5389 Provident Dr.	Tri County	New Lease	304,000
Triace USA	185 Commerce Blvd.	Airport	New Lease	123,120
Graham Packaging	7930 Kentucky Dr.	Tri County	Renewal	109,650

Source: Newmark Research

Notable 1Q25 Sale Transactions (Supplemental Slide)

Notable 1Q25 Sale Transactions

Buyer	Seller	Address	Submarket	Square Feet	Price	Price/SF
Diamond Properties	Viking Partners	621 Wilmer Ave.	Central/Midtown	80,000	$4,900,000	$61.25
People Working Cooperatively	Sugar Creek Packing Co.	3440 E Kemper Rd.	Tri County	69,148	$8,400,000	$121.48
*Plymouth REIT	TradeLane Properties	9113 Le Saint Dr.	Tri County	260,000	$23,300,000	$89.62
Urbandi	TradeLane Properties	2800 Henkle Dr.	I-71 Corridor	131,150	$10,366,000	$79.00

*Investment Sale

Source: Newmark Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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